

THE TAXPAYER

Canadian Federation of National and Provincial Taxpayers

Former Auditor General Ken Dye

On April 29th, Taxpayers' director Bob Matheson had the opportunity to have a lengthy discussion with former Auditor General Ken Dye. Mr. Dye held the position as Auditor General for ten years, and since leaving Ottawa, has returned to his native B.C. where he is the C.E.O. of the B.C. Workers' Compensation Board.

Matheson:

For many of us, when we think of the decade you just spent as the nation's Auditor General, we're usually reminded of the Petro-Canada purchase, and your determined effort to secure the information on exactly what took place. Looking back on that situation, how do you feel about not having been able to get information on the deal?

Dye:

I could never understand why the government of the day, would allow an auditee to control the access to information by an auditor. That's not how the game works, it works the other way around. The auditor makes the decision of who should look at what, and we were being blocked in getting the information to which I thought we were legally entitled ... that was probably the most frustrating thing I had to face in the ten years I was in Ottawa, because I wasn't able to do my job. The courts supported me



**Ken Dye, Canada's
Former Auditor General**

at first, and then decided, no, I was beyond my powers in the appeal. Then the Supreme court decided that neither court should have even been hearing the case ... we had spent a million dollars of the taxpayers money trying to get to the bottom of a \$1.7 billion dollar transaction. With the tax loopholes in it, it was probably \$2.4 billion for a corporation worth perhaps \$1.4 billion. So the taxpayers paid a lot of money for what they got, and I never got to the end of the audit.

Matheson:

You never did get the story?

Dye:

Never got to the end of it.

Matheson:

So, you feel very strongly, that probably they paid a billion more ...

Dye:

We never did see the cost/benefit analysis. That's what we were asking for. I mean it seemed pretty simple, and reasonable accountability, that we should know what they thought the cost would be, what the benefits would be, and whether it was worth doing the deal or not. We were denied that documentation, if it ever existed.

Matheson:

That's a good point. I might say that one of the Taxpayers Association's goals that we're working hard on is an access to information law. We're advocating very strongly that they pass one in Alberta, [Alberta, B.C. and P.E.I. are the three provinces left that do not have such legislation] which as you may not know doesn't have an access to public information law.

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Interview with Ken Dye

Dye:

I've heard that. It seems to me, that in a democracy, those who pay for government services and government activities have every right to know. Certainly, all members of parliament have a right to know. If they have the right to know, why shouldn't the general public? There must be very little that needs to be hidden in a democracy. I suspect there might be a case you can make for our counterspy, espionage type of covert activities, of which there is very little, but beyond that, what should really be a secret?

Matheson:

In your final report for the fiscal year ending in March of 1990, you said that few things had disturbed you more than jurisdictional squabbles between government and departments.

Dye:

Take your Rafferty/Alameda situation there in Saskatchewan. You've got a whole set of provincial officials, beavering away, building a compelling case to ensure the best interests of the good folks in Saskatchewan. An equally compelling but opposite case is being built in Ottawa by lawyers being paid for by the folks from Saskatchewan and across Canada. The same taxpayer is paying for both arguments to be carried out at public expense. They will battle away, yet they represent exactly the same taxpayers. I haven't a clue which is the most compelling or best argument, I haven't followed the ins and outs of the environmentalists, and I'm not sure what the issues all are, all I can see-is great armies of lawyers battling away, and one guy is paying for it.

Matheson:

As the person who essentially had their finger on the economic pulse of the nation for the past ten years, how did you privately react, when you knew politicians were making promises and spending money that taxpayers didn't have, or couldn't afford?

Dye:

As you know, I had no right to be involving myself in the policy side of it. We were only auditing the implementation of policy, so ... I am not a person of political ideology ... I sort of look at each issue, and just make up my own mind as

to whether or not it makes sense or not, so, I thought there were some dumb ones that went by, and I thought there were some good ones that went by. But I kept those to myself during that period, and I think I probably should.

Matheson:

I guess what I'm trying to get at, is that the Taxpayers Association is looking at balanced budget laws. Generally, we just feel that it's totally wrong, that governments do saddle us with the kind of debts they are; Us and our children and our grandchildren.

Dye:

That's the point. The debt arising from deficit financing is really a future tax isn't it, for services received a long time ago.

Matheson:



Ken Dye in Conversation with the Taxpayers Bob Matheson

Yeah, and somebody's got to pay it.

Dye:

Somebody's got to carry that can, and right now, the intergenerational transfers are used.

Matheson:

It would seem that an increasing number of people are beginning to call for fundamental structural reforms that would redefine the way government services can be delivered. Some have referred to this process as disentanglement, while others simply refer to it as duplicate or triplicate bureaucracies. We've got overlapping bureaucracies at the municipal, provincial, and federal levels. Is there some way that we should be trying to structurally reform the govern-

Interview with Ken Dye

ment service's delivery system?

Dye:

You'll see in the talk, that I haven't called for the restructuring of government. What I've called for, is taking a look at services, that are desirable services to be provided by our political system somehow, and decide who should do it. Is it a civic responsibility? A provincial responsibility? Or a federal responsibility? Having decided what it is you want, then decide who should deliver it, and do it once, not twice or three times. And do it efficiently, do it economically. That's not really calling for massive reform of governments. What it's calling for is applying good business principles ... of using common sense.

Matheson:

A redefinition of the areas which each level of government is responsible for I suppose.

Dye:

Yeah

Matheson:

I've always felt quite strongly that most of the local matters, I mean governing matters, and spending authority, should be as close to those that receive them as possible.

Dye:

That way when a policy maker, an MLA, or an alderman is having a haircut, he meets the guys in the barbershop, and they got him. They got him pinned down right there ... Whereas you get the distance between Calgary and Ottawa, you don't really see a lot of your members of parliament. They can't be doing both things, being in Ottawa and being here, there's less accountability. So, I am inclined to your notion to put the performance and the accountability as close as you can to the recipient of the benefit.

Matheson:

It's usually pretty easy to blame the politicians for ongoing overspending and the nation's debt, but increasingly, it seems that not a few supporters of the Taxpayers Associations as well as others, are beginning to argue that the public is equally responsible for much of the problem. They're suggesting that the public has demanded such things, and that people get the kind of fiscal behaviour they demand. As one who's had a bird's eye view for a long time, how would you feel about that?

Dye:

Well, I wouldn't confine it just to the average citizen. I think corporate Canada has had a lot of influence on how money's been spent in this country too ... To their own

benefit. It fascinated me when I got to Ottawa to find out how much money went back into the corporate sector. They're pretty good at sucking money out of the government.

Matheson:

That's an interesting statement. You know for many years I've always watched the insurance companies, banks, and the power people in Toronto and London, and the amount of pressure they can put on Ottawa, and on the government to get benefits; Which I don't know if they're justified or not, but I suspect there could be some preference.

Dye:

Well you see it in the tax expenditures which are not disclosed. I think I've got that corrected so the people will understand when somebody gets a tax benefit of \$600 million ... Hudson's Bay Oil and Gas got what, \$670 million that was shown as one dollar in the estimates? That's absolutely ludicrous. They saved \$670 million. It could have been given to them as a cheque, but oh no, it's taken off the revenues. Nobody sees it, the money doesn't come in, and there's no big public report on it, they're very good at getting money out of the feds one way or the other. [They're] very sophisticated, and nobody really understands except corporate Canada, and they know how to do it.

Matheson:

If you could offer each Canadian a few words of advice on how they could personally contribute to the wellbeing and stability of our nation, what would you say?

Dye:

Well, there's all kinds of issues one could focus on, there's all those humanitarian issues we should be concerned with, but on the economic side, my talk calls for people, where they feel they're being overtaxed and see a solution ... they see something dumb ... a duplication of service ... then my advice to them is to write to their alderman, their member of the legislative assembly, or to their member of parliament, and point out what they think. Make a personal effort to make a contribution, to offer constructive suggestion to government. Put it in writing. When you get back a fuzzy letter, write again and ask for specifics and an action plan. Just expect them to perform. The power of a written letter to a politician is astonishing. They really do pay attention.

Mark S. Wallace

The Enemies of Liberty

"The natural progress of things is for liberty to yield and government to gain ground," wrote Thomas Jefferson.

Even as late as the early 20th century people understood the importance of limiting the size and scope of government to preserve liberty.

According to Woodrow Wilson, "The history of liberty is a history of resistance...[It is a] history of limitations of government power, not the increase of it."

All of these words have fallen on deaf ears in the shameless rush to create more government programs and to extend more government largesse to special-interest groups. The name of the game is to lobby your legislators to create a new government program to benefit you, and then to invite them to pay for the program by plundering your fellow citizens in the form of increased taxation.

Of course, if some of your fellow citizens have the temerity to protest the tax increase, you can always accuse them of being "selfish."

What is worth noticing is that the biggest loser under such a corrupt and morally bankrupt form of government is the honest, hard-working individual who seeks no special favours from government, who asks for no free lunches and whose only desire is to be left alone and to retain the fruits of his own labour.

Against these views it will be argued that the taxes and government programs are legitimate because they were approved by a majority vote of the legislature that by itself was elected by a majority of the people.

Before you agree with the idea that everything a majority does is automatically right, consider the following.

Ten people are sitting around a table. One of them—a prospective politician, no doubt—stands up and says loudly, "I propose that we order lunch, and that Mr. Jones pay the entire cost for all of us."

Mr. Jones begins shaking his head. "It's not fair," he

protests.

"I say we vote on it," brays the prospective politician. "All in favour of Mr. Jones paying for our lunch, say aye."

There is a resounding chorus of ayes. Only Mr. Jones votes against the proposal.

"That settles it," announces the politician-to-be. "Thank God for democracy."

Few would argue that such a vote has any moral legitimacy.

Does it acquire any legitimacy because the numbers are larger, because 10,000 or 10 million people are voting on the issue?

No. It would still be wrong even if 10 million voted on it.

The essential point is that each person has certain unalienable rights, God-given natural rights. No mere majority—either a majority of the legislature or a majority of the people, can legitimately take away those rights without the consent of the person affected.

The popular revolt against oppressive taxation and runaway government spending is not fundamentally about taxes and spending at all. It is about liberty.

Subconsciously, perhaps people are beginning to realize that each time the government digs deeper into our pockets, we are less free than before. The more government takes away from us, the more

dependent we are on government programs and the less we are able to support ourselves with the fruits of our own labour.

Those who propose more government programs, new bureaucracies and higher taxes to pay for it all—these people are the enemies of liberty.

If the blessings of liberty are to be enjoyed again, we must shrink government, not expand it. We must reduce taxes, not increase them.

The popular revolt against oppressive taxation and runaway government spending is not fundamentally about taxes and spending at all. It is about liberty.

by *Kevin Avram*

Canada's Runaway National Debt

Rob Petruic, a Research Associate with the Canadian Taxpayers Federation made the statement recently that, "Beginning in 1971, the politicians of our country began to systematically squander the wealth of Canada."

Rob was responding to an inquiry from a Pierson Manitoba high school student on the matter of Canada's accumulated debt, and of the process that got us into this fiscal mess in the first place. The story he painted for her is not a pleasant one, nor one that any young person will look upon favourably.

This history of spending and squandering in Canada actually began in 1971 under the administration of Pierre Elliott Trudeau. The record clearly shows that he is the man, who more than any other, is responsible for heading us down the road to financial hardship. It was during the early years of his government, 1970, that Canadian taxpayers saw their last balanced federal budget. In fact, the 1970 budget produced a surplus of over \$300 million, which was used to pay down our accumulated national debt. Heading into 1971, Canada's federal budget was in a surplus position, and our total accumulated national debt, including the money borrowed to fight World War II, was \$17.5 billion. Seven years later, by 1977, federal spending was out of control, and the Auditor General at the time, J.J. MacDonnell publicly declared as much. From 1971 to 1977, the deficit steadily grew. The Trudeau government borrowed \$780 million in 1971, \$1.5 billion in 72, \$1.7 billion in 73, \$2 billion in 74, \$2 billion in 75, \$6 billion in 76, \$6.3 billion in 77, and \$10.4 billion for the fiscal year of 1977-78.

In other words, for the fiscal year of 1977-78, the Trudeau government was borrowing almost a billion dollars a month,

when only seven years before, the nation's total accumulated debt, after two world wars and 103 years of nationhood, was \$17.5 billion.

By fiscal year 84-85, total spending had reached \$109 billion, and of that \$109 billion, nearly \$40 billion was borrowed. (The federal government was borrowing over \$3 billion dollars a month). By 1984, the debt of Canadian taxpayers through federal government borrowings, had reached nearly \$200 billion.

Jumping ahead to today, spending by the Mulroney government this year will be close to \$160 billion, our national debt will stand at roughly \$414 billion by the end of this fiscal year, and it's going to cost us two and a half times more this year in interest on that debt, than the whole national debt was in 1971.

Clearly, it seems that some Canadians are living in a fools paradise. Current levels of government spending cannot be sustained, and despite the fact that we are mired in debt and sinking fast, major sectors of the economy, and the workforce, are ignoring the looming fiscal catastrophe, as they continue to demand more and more money and benefits.

Our political leaders who should be standing up to those who would desire to see this irresponsible spending and borrowing spree continue, have instead continued their futile attempts at wooing spe-

cial interest groups and vocal complainers, by the doling out of more borrowed money.

What a tragedy it is, that politicians must take the nation to the brink of financial ruin before they reform their ways. What an even greater tragedy it is, that the nation's citizens have let them do it.

What a tragedy it is, that politicians must take the nation to the brink of financial ruin before they reform their ways. What an even greater tragedy it is, that the citizens have let them do it.

Deficits, Debts, Interest Rates, and Taxes

By Thomas P. d'Aquino, in an address to the Calgary Chamber of Commerce, February 11th.

First and foremost, deficit and debt have helped to drive up interest rates to very high levels. The reason is that government deficits absorb most of Canadians' savings. Think about it: it is not a coincidence that Canada has been particularly prone to higher interest rates since 1980—Ottawa's debt more than quadrupled over this period.

It is essential to understand that when it runs a deficit, government is competing literally with private borrowers—both business and household—for the available pool of national savings. As we all know, when demand for anything increases but supply remains unchanged, its price rises. The same is true for our savings.

Don't forget that the price of our savings is measured by the interest rate. Think about the role of government deficits and debt pushing up interest rates the next time you renew

your mortgage or pay your credit card bills.

And what about growth, investment and jobs? High interest rates are the most serious threat to all of these. What better example than the serious recession gripping the country now where high interest rates stand out as a major culprit?

A second example of how deficits and debt have a direct effect on our daily lives is the relationship between deficits, debt and higher taxes. Since 1985-86, for example, personal income taxes collected by the federal government—the kind of taxes that you and I see being deducted from our regular paycheques—have risen by almost 70%. During this same period, federal sales and excise taxes have jumped 74%, and with the GST they will rise further still. All of these increases have taken place in order to help carry the soaring costs of servicing the debt. Higher and higher taxes mean fewer and fewer dollars in your pockets, and steadily diminishing incentives to save.

Something to Think About

The real measure of your wealth is how much you would be worth if you lost all your money.

Nothing keeps a person's feet on the ground like having a little responsibility placed on his or her shoulders.

The Roman philosopher and statesman, Cicero, wrote this some 2,000 years ago ...

The Six Mistakes of Man

- 1. The delusion that personal gain is made by crushing others.*
- 2. The tendency to worry about things that cannot be changed or corrected.*
- 3. Insisting that a thing is impossible because we cannot accomplish it.*
- 4. Refusing to set aside trivial preferences.*
- 5. Neglecting development and refinement of the mind, and not acquiring the habit of reading and studying.*
- 6. Attempting to compel others to believe and live as we do.*

Never judge anyone until you discover what they would like to be, as well as what they are.

Things always balance out: when someone gets something for nothing, someone else gets nothing for something.

Between the great things that we cannot do and the small things we will not do, the danger is that we shall do nothing.

- Adolph Monod

Auditor General's Corner

The Good Ship Louis St.Laurent

The following is a verbatim transcript from the 1990 Auditor General's report to Parliament.

Department of Transport (Canadian Coast Guard)

Mid-life modernization of CCGS Louis S. St.Laurent: A major Crown project without a demonstrated need and with escalating costs

The requirement for the mid-life modernization of this 21-year-old icebreaker was not justified on the basis of defined levels of service. The Coast Guard did not follow its own vessel modernization and acquisition strategy in proceeding with this project, and did not adequately define the statement of work and the costs at the outset.

3.125 Background. In our 1978 Report, we noted that the Department of Transport did not give due regard to economy in the planning and approval phase of the acquisition of two "R" Class icebreakers, which cost a total of \$108 million. We noted that the proposal to acquire the icebreakers did not include a forecast of the needs for icebreaking service, the size of the fleet required to provide those levels of service, and the economic benefits that would result. We also noted that early capital cost estimates did not provide a good indication of the eventual cost.

3.126 In our 1983 Report, we noted that the lack of a defined level of service weakened the Coast Guard's ability to plan and control its activities, including determining the number of ships it required. We also noted that after nine years and two extended deadlines, the Department had yet to meet the 1974 Treasury Board requirement to define its levels of service. We further noted that when Cabinet approved the Coast Guard's Fleet Capital Investment Plan (FCIP) in principle late in 1979, it did so subject to the Coast Guard specifying levels of service before the end of 1981. The Department did not meet that deadline and has not yet specified its levels of service.

3.128 Canada's largest and most powerful icebreaker, the Type 1300 CCGS Louis St.Laurent (LSL), was built in 1969. The ship is costly to operate because of its large crew and the inefficiency of its propulsion system, which consumes far more fuel than other propulsion

systems. Over the five-year period preceding her mid-life modernization, the vessel's utilization averaged 30 percent (calculated on the basis of 365 days per year). The low utilization was attributable to its time in maintenance and to management decisions to utilize the vessel for primary arctic missions, and in southern waters only in cases of urgency or unavailability of other Coast Guard icebreakers.

3.129 In August 1988, the Coast Guard delivered the LSL to the shipyard for mid-life modernization.

3.130 We expected a project of this magnitude to have been justified by a thorough needs and options analysis based on defined levels of service. The term "level of service" refers to the amount and quality of a given service. In defining an appropriate level, the objective is to choose one that can be justified on the grounds of demand for the service, while taking into account the costs and benefits of providing it.

3.131 Our audit did not attempt to establish whether the vessel was needed in the Coast Guard fleet, but focussed on the Department's analysis leading to the decision to modernize the vessel and on subsequent events.

3.132 Needs and options analysis. The Coast Guard has stated that the FCIP constitutes its basic requirements /needs analysis for the mid-life modernization project. We found no defined levels of service for ice-breaking or analysis of demand to justify the mid-life modernization of the LSL. Approval of the FCIP by Cabinet does not constitute approval for the mid-life modernization project listed in this capital program. This interpretation is consistent with Treasury Board Circular No. 1983-25, which states that a long-term capital plan is not used to seek approval for specific capital projects.

3.133 According to the FCIP, it has been determined that in terms of cost effectiveness, the practical life of an icebreaker is approximately 30 years, provided that a mid-life modernization is carried out after 15 to 20 years. The Coast Guard stated that the mid-life modernization of the LSL was intended to extend the vessel's life for an additional 20 years, at which time the LSL will be approximately 45 years old.

Continued on page 10

FREEDOM OF INFORMATION LEGISLATION

You may not realize it, but Alberta is one of the few provinces left in Canada that does not have a Freedom of Information Act.

The Association of Alberta Taxpayers is a provincially incorporated non-profit organization, with a two-fold purpose: firstly, to promote the responsible and efficient use of tax dollars; and secondly, to provide the public with information about government spending.

To that end, we believe a cornerstone of open and accountable government is a clear definition of the kind of information that the public can, and cannot have access to. Therefore, we are calling on the legislature to pass an Alberta Freedom of Information Act.

Here are just a few reasons why the Taxpayers Association believes Albertans deserve a Freedom of Information Act:

1. Decisions on the disclosure of government information should not be left to the arbitrary discretion of elected officials;
2. The definition of what is, and is not available to the public, should be clearly established and defined in law;
3. In many cases, it is not fair to place senior civil servants in a position where they must decide what they can or cannot release to the public.

An Alberta Freedom of Information Act will define these necessary boundaries, and guarantee that citizens have free and ready access to information on government transactions, spending decisions, and policy initiatives.

If you too would like to see these things spelled out in an Alberta Freedom of Information Act, please fill out the coupons on the next page, and mail them to the Association of Alberta Taxpayers, #300A, 17304 - 105 Avenue, Edmonton, AB, T5S 1G4.

To the Honorable Don Getty:

In the spirit of democratic accountability and open government, I urge you to follow the lead of the majority of Canadian provinces and pass an Alberta Freedom of Information Act.

Name: _____ Address: _____

Town/City: _____ Postal Code: _____

Signature: _____

Please clip this coupon and mail it to the Association of Alberta Taxpayers, #300A, 17304 - 105 Avenue, Edmonton, AB, T5S 1G4. We'll make sure the premier gets it.

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**** ANNOUNCEMENT ANNOUNCEMENT ANNOUNCEMENT ****

The Fraser Institute who have established the annual process of pegging down Tax Freedom Day in Canada, will be holding a luncheon on

Friday, June 7, 1991, at the Calgary Convention Centre, 120-9th Ave. S.W., Calgary, Alberta

11:45 a.m. Reception / 12:15 p.m. Luncheon

For ticket information call 448-0159 in Edmonton

Sponsored by The Fraser Institute

Auditor General's Corner (continued from page 7)

3.134 Preliminary cost limitations. The guidelines provided in the FCIP are based on the fact that, on average, the capital required for mid-life modernization has been 20 percent of the unit replacement value. For the Type 1300 vessel, the FCIP estimated the unit replacement value at \$250 million. The guidelines thus provided for \$50 million in 1987/88 constant dollars for the LSL modernization. The Coast Guard planned an expenditure of \$51 million for the project between 1987 and 1991.

3.135 Sole-source contract. An unsolicited proposal to modernize the LSL was submitted by Halifax-Dartmouth Industries Limited (HDIL) in October 1986. In reviewing this proposal, the Coast Guard stated the ceiling price for the contract would reach \$71.2 million. The Department stated that the cost difference was in keeping with the estimated 20 percent savings that have accrued historically when competitive bidding has been used instead of a sole-source contract. The Coast Guard recommended that the Crown proceed with a competitive tendering process for the mid-life modernization of the LSL. However, in June 1987, Cabinet directed that the modernization of the LSL be sole-sourced to HDIL as the prime contractor, for socio-economic reasons.

3.136 Increasing costs. Treasury Board granted effective project approval in July 1987 for a total estimated cost of \$75.8 million, which provided a \$71 million contract limit for HDIL. In January 1988, a preliminary estimate provided by HDIL indicated a cost of \$97 million. As a result, the Coast Guard reduced the statement of work to include only the core items. Consultants were hired to determine a reasonable cost for the project to be used in the negotiations with HDIL. In June 1988, revised funding was approved by Treasury Board at \$95.5 million. This price included a contract ceiling of \$82.3 million for HDIL. A number of items removed from the original modernization plan will be added to the separate refit budget, which now has a total estimated cost of \$6.7 million. The Coast Guard states that the average annual refit budget for this vessel is \$2 million.

3.137 Project Schedule. In April 1990, the project was estimated by the Department to be about half-completed, based on work units in the shipyard. This meant that the project was five months behind schedule, which would affect the scheduled completion date of November 1990 unless compensating measures were taken by HDIL to expedite the work. However, serious problems have since arisen, because of steel deterioration, that

threaten to delay the project by another two years and to increase the cost of the mid-life modernization. The additional cost has not been fully determined but could run as high as 25 percent of the total cost of mid-life modernization, and is subject to Treasury Board approval.

3.138 Steel deterioration. The extensive steel corrosion was identified on the LSL part way through the mid-life modernization. The affected areas included both the hull and internal steelwork, some of which had previously been inaccessible to inspection. Confirmation of the extent of deterioration in the vessel's steelwork was determined by the Coast Guard while carrying out an inspection similar to the 20-year survey conducted by the societies that set standards for all vessels. This inspection was started when the LSL entered drydock for the mid-life modernization and was still going on at the time of our audit.

3.140 The Coast Guard advised us that it is normal practice to replace corroded steel in any mid-life modernization. We expected that a provision for this would have been included as a major element of the estimated expense in this mid-life modernization project, because of:

- the Coast Guard's experience with previous mid-life modernizations and a recent life-extension project;
- the age of the vessel; and
- the inspections, condition surveys, and other indications of corrosion dating back to 1982.

However, no such provision appeared in the project statement of work.

3.141 Conclusion. After over 10 years and in spite of the conditions of Treasury Board approval, the Department has yet to define its levels of service for icebreaking. The Department's decision to complete a mid-life modernization of the LSL continues the pattern, identified in our previous audits, of major capital expenditures not based on a demonstrated need. The decision taken for the LSL mid-life modernization is inconsistent with the strategy in the FCIP related to vessel life and costs. As with the "R" Class icebreaker project, the early capital cost estimates for the mid-life modernization of the LSL did not provide a good indication of the eventual cost. The modernization began with a planned cost of \$51 million and, according to the Coast Guard, could now reach around \$125 million.

NCC Studies Pensions

Pensions for Members of Parliament

Recently, a supporter of the Taxpayers Association sent in a copy of a letter he had received from the Toronto based National Citizens' Coalition.

The material he sent contained the results of a study the NCC had done on the pension packages of federal MPs.

Believing this information to be important, we contacted the NCC, and have obtained their permission to reprint this pension material.

The figures given were based on the assumption that the MP would retire in the fall of 1990.

Although some small changes will have taken place, these figures nevertheless will give taxpayers a fairly accurate idea of the amount of money their MP's pension is worth.

Assumptions: age nearest birthday; MP retires in fall of 1990; 5 percent inflation; minimum 6 years of service.

	Age	Years of Service	Estimated Pension Payout to Age 75
British Columbia			
Belsher, Ross	58	6	\$460,813
Collins, Mary	50	6	\$984,839
Cook, Chuck	64	11	\$486,962
Fraser, John	59	18	\$1,342,419
Friessen, Benno	61	16	\$950,540
Fulton, Jim	41	11	\$2,344,216
Kristiansen, Lyle	51	6	\$738,657
Mitchell, Margaret	65	11	\$401,012
Oberle, Frank	59	18	\$1,301,412
Parker, Sid	60	6	\$375,252
Riis, Nelson	48	10	\$1,563,918
Robinson, Svend	39	11	\$2,586,176
Siddon, Tom	49	12	\$1,689,092
Skelly, Ray	49	11	\$1,527,361
Turner, John	61	20	\$1,588,969
Waddel, Ian	48	11	\$1,618,067
Alberta			
Andre, Harvie	50	18	\$2,561,950
Clark, Joe	51	18	\$2,644,862
Cooper, Albert	38	10	\$2,507,894
Dorin, Murray	36	6	\$1,627,574
Edwards, Jim	54	6	\$690,691
Hawkes, Jim	56	11	\$1,032,802
Kilgour, David	50	11	\$1,590,556
Kindey, Alex	61	6	\$340,847
Malone, Arnold	53	16	\$1,624,374
Mazankowski, Don	55	22	\$1,918,414
Paproski, Steve	62	22	\$877,004
Porter, Bob	57	6	\$486,569
Shields, Jack	61	6	\$378,343
Sparrow, Barbara	55	6	\$565,887
Thacker, Blaine	49	11	\$1,596,068
Saskatchewan			
Althouse, Victor	53	10	\$1,121,239
Benjamin, Les	65	22	\$546,824

*The Golden Years***Pensions for Members of Parliament**

	Age	Years of Service	Estimated Pension Payout to Age 75
de Jong, Simon	48	11	\$1,618,067
Gustafson, Len	57	11	\$972,338
Hovdebo, Stan	55	11	\$1,037,443
McKnight, Bill	50	11	\$2,038,498
Nystrom, Lorne	44	22	\$2,894,483
Wilson, Geoff	49	6	\$833,102

Manitoba

Axworthy, Lloyd	51	11	\$1,729,901
Blaikie, Bill	39	11	\$2,586,176
Clark, Lee	54	7	\$758,513
Epp, Jake	51	18	\$2,504,152
Holtmann, Felix	46	6	\$986,433
Mayer, Charles	54	11	\$1,576,513
Murphy, Rod	44	11	\$2,098,196
White, Brian	40	6	\$1,343,458

Ontario

Angus, Ian	43	6	\$1,201,177
Attewell, Bill	59	6	\$411,415
Beatty, Perrin	40	18	\$4,563,647
Blackburn, Derek	56	19	\$1,314,200
Blenkarn, Don	60	13	\$813,038
Bosley, John	43	11	\$2,416,437
Boudria, Don	41	6	\$1,384,225
Boyer, Patrick	46	6	\$1,013,538
Brightwell, Harry	58	6	\$448,485
Browes, Pauline	52	6	\$769,824
Caccia, Charles	60	22	\$1,112,247
Cardiff, Murray	56	10	\$933,947
Clifford, Terry	52	6	\$693,539
Copps, Sheila	38	6	\$1,480,283
Darling, Stan	79		no calculation made
Dick, Paul	50	18	\$2,405,426
Domm, Bill	60	11	\$749,878
Ferguson, Ralph	61	6	\$378,343
Flis, Jesse	57	7	\$594,439
Foster, Maurice	57	22	\$1,303,277
Fretz, Girve	64	11	\$493,701
Gauthier, Jean-R.	61	18	\$943,808
Gray, Herb	59	28	\$1,644,784
Halliday, Bruce	64	16	\$617,639
Heap, Dan	65	9	\$328,093
Hicks, Robert	57	6	\$486,569
Hockin, Tom	53	6	\$980,269
Hopkins, Len	60	25	\$969,095
Horner, Bob	58	6	\$448,485
James, Ken	56	6	\$554,587
Jelinek, Otto	50	18	\$2,583,540

*The Golden Years***Pensions for Members of Parliament**

	<u>Age</u>	<u>Years of Service</u>	<u>Estimated Pension Payout to Age 75</u>
Kaplan, Robert	54	20	\$1,893,715
Kempling, Bill	70	18	\$258,837
Langdon, Steven	44	6	\$1,097,364
Lewis, Doug	52	11	\$1,699,258
MacDonald, David	54	17	\$1,595,244
MacDougall, John	43	8	\$1,572,750
MacLaren, Roy	56	7	\$656,653
Marchi, Sergio	34	6	\$1,786,410
Martin, Shirley	58	6	\$574,898
McCurdy, Howard	58	6	\$448,485
McDermid, John	51	11	\$1,623,283
McDougall, Barbara	53	6	\$1,145,514
McLean, Walter	54	11	\$1,267,672
Mitges, Gus	67	18	\$415,148
Nicholson, Rob	38	6	\$1,602,440
Nunziata, John	36	6	\$1,627,574
Parent, Gilbert	55	12	\$1,162,858
Peterson, Jim	49	6	\$901,841
Redway, Alan	56	6	\$659,387
Reimer, John	54	7	\$728,695
Rodriguez, John	54	14	\$1,416,842
Scott, Bill	69	25	\$298,964
Scott, Geoff	53	12	\$1,406,691
Vankoughnet, Bill	48	11	\$1,618,067
Wilson, Michael	53	11	\$1,769,597
Winegard, Bill	66	6	\$240,524
Young, Neil	54	10	\$1,012,011

Quebec

Allmand, Warren	58	25	\$1,805,630
Berger, David	40	11	\$2,536,882
Bernier, Gilles	56	6	\$525,688
Bertrand, Gabrielle	67	6	\$193,445
Blackburn, J.P.	42	6	\$1,216,106
Blais, Pierre	42	6	\$1,416,964
Bouchard, Benoit	50	6	\$1,384,225
Bourgault, Lise	40	6	\$1,442,871
Cadieux, Pierre	42	6	\$1,834,721
Champagne, Andree	51	6	\$1,007,778
Champagne, Michel	34	6	\$1,982,925
Charest, Jean	32	6	\$2,812,639
Chartrand, Gilbert	36	6	\$1,627,574
Danis, Marcel	47	6	\$1,308,298
De Cotret, Robert	47	12	\$3,165,265
Della Noce, Vince	47	6	\$1,036,378
Desjardins, Gabriel	42	6	\$1,216,106
Duplessis, Suzanne	50	6	\$849,936
Ferland, Marc	48	6	\$882,580
Finestone, Sheila	61	6	\$247,356

The Golden Years**Pensions for Members of Parliament**

	<u>Age</u>	<u>Years of Service</u>	<u>Estimated Pension Payout to Age 75</u>
Fontaine, Gabriel	50	6	\$800,956
Gagliano, Alfonse	48	6	\$882,580
Gerin, Francois	46	6	\$1,094,955
Gray, Darryl	44	6	\$1,097,364
Guilbault, Jean-Guy	60	6	\$375,252
Harvey, Andre	49	6	\$833,102
Hudon, Jean-Guy	49	6	\$970,547
Jacques, Carole	30	6	\$2,143,526
Joncas, Jean-Luc	54	6	\$607,208
Jourdenais, Fernand	57	6	\$486,569
Landry, Monique	53	6	\$1,015,984
Lapierre, Jean	34	11	3,649,666
Layton, Robert	65	6	\$274,363
Leblanc, Nic	49	6	\$833,102
Lopez, Ricardo	54	6	\$607,208
Marin, Charles-E.	65	6	\$218,731
Masse, Marcel	54	6	\$1,070,532
Moore, Barry	46	6	\$1,013,538
Mulroney, Brian	52	7	* \$781,724
Ouellet, Andre	51	23	\$2,638,701
Plamondon, Louis	47	6	\$933,654
Plourde, Andre	54	6	\$619,164
Prud'homme, Marcel	56	26	\$1,429,866
Ricard, Guy	48	6	\$882,580
St.-Julien, Guy	51	6	\$738,657
Tardif, Monique	55	6	\$659,231
Tremblay, Marcel	47	6	\$933,654
Tremblay, Maurice	46	6	\$986,433
Vezina, Monique	55	6	\$997,666
Vincent, Pierre	35	6	\$1,986,853
Weiner, Gerry	57	6	\$760,827
New Brunswick			
Corbett, Bob	52	12	\$1,387,078
Dionne, Maurice	54	12	\$1,264,543
Merrithew, Gerry	59	6	\$725,317
Valcourt, Bernard	39	6	\$2,205,740
Newfoundland			
Baker, George	48	16	\$2,299,316
Crosbie, John	60	14	\$1,211,984
Rompkey, Bill	54	18	\$1,860,288
Simmons, Roger	61	7	\$503,098
Nova Scotia			
Campbell, Coline	50	11	\$1,547,399
Crosby, Howard	57	12	\$994,069
Dingwall, David	38	10	\$2,548,577
MacKay, Elmer	54	19	\$2,058,547

*The Golden Years***Pensions for Members of Parliament**

	Age	Years of Service	Estimated Pension Payout to Age 75
MacLellan, Russel	51	11	\$1,435,456
Nowlan, Patrick	59	25	\$1,028,517

Prince Edward Island

No PEI MP had sufficient service to qualify as of the fall, 1990.

Note:

* In addition to his MP's pension, the Prime Minister receives a special pension to age 65: 2/3 of that salary being paid to whoever is Prime Minister in 2003 (when Brian Mulroney reaches his 65th birthday).

Over the past few months, an increasing number of taxpayers have expressed concern over the pensions our federal politicians will be paid when they leave office. Based upon the government's MP pension formula, the Toronto-based *National Citizens Coalition* calculated how much each eligible MP would receive to age 75 had they left office on September 4, 1990.

Many don't realize it, but Members of Parliament qualify for a pension after six years in the House of Commons, and these pensions are paid regardless of why the MPs left office.

For a regular MP, the pension formula is simple: number of years of service (to a maximum of fifteen years) times 5%, times the average of his best six years' income. For those who have received additional salaries as a Cabinet Minister, Party Whip, Opposition Leader, etc., the pension is increased proportionately. A retiring MP with only six years of service would get a pension of over \$17,000 immediately upon retirement — whether he was thirty or sixty. A retiring Member who was an MP and Cabinet Minister for only six years would get over \$30,000.

In reply to the growing anger against this overly generous scheme, politicians have countered that they contribute more heavily to their pensions than other Canadians. A Member of Parliament contributes 10% of his income towards their pension, and in addition, they pay another 1% towards indexation. But Robert Brown, president of the Canadian Institute of Actuaries, says the MPs are only telling part of the story. The government of Canada matches the contributions made by the Members of Parliament. Even so, the actuaries have calculated that the MP pensions are underfunded by \$144 million. That means that MP contributions would have to be quadrupled in order for their contributions

to actually finance their benefits.

The actuaries have also indicated that other Canadians are forbidden by law from creating such a pension scheme. Pensions for Members of Parliament accumulate at a rate of 5%, while the rest of us are limited to 2%. MPs can begin collecting their pensions immediately, but ordinary Canadians have to wait until retirement age. MPs' pensions can be up to 75% of average wage earnings, while ordinary Canadians are limited to 70%. And despite the fact that underfunded pensions are illegal in the private sector, our MPs have exempted themselves from the rule.

The issue that should cause the most concern however, has to do with indexation for inflation. When a pensioned politician turns sixty, they receive an increase to compensate for all inflation that has occurred between their sixtieth birthday and the day they started collecting their pension. Every year after that, their annual pension increases by the amount of current inflation.

How will all of this work out in practice? Well, the top dog in the Pension Pound turns out to be the Honourable Perrin Beatty. As of September last year, Mr. Beatty was eligible to receive an annual pension income of \$59,073 for the next twenty years (a total of \$1,181,460). On his sixtieth birthday, he would receive an additional \$97,665 to catch up for inflation, and his new annual pension of \$156,738 would then have increased each year by an amount equal to inflation. In reality then, if Mr. Beatty were to live to be seventy-five, he would receive a total of \$4,563,647 to see him through his "golden years". The pension grand total for the 170 members of parliament who are currently eligible is \$210,729,705.

- Morley Leonard Evans

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